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DRUG STORE NEWS

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1989 REX Awards dinner cruise

Complete photo coverage of the 1989 REX Awards dinner cruise honoring retailing excellence in the drug industry. **Page 15**

Retailers tapping 'modern mature'

Drug retailers are launching marketing programs in hopes of staking a claim to the rapidly growing 50-plus age group. **Pages 9, 12, IP1.**

LATE NEWS

- WILLOWDALE, Ont. — Shoppers Drug Mart chairman and ceo David Bloom is spearheading the forming of the Canadian Association of Chain Drug Stores, a trade group.
- SALT LAKE CITY — American Stores said it will sell about 13 Northern California Alpha Beta stores, with the remaining 23 integrated into Lucky Stores' operations, in an agreement with the state's attorney general's office that "has no effect" on a case before the U.S. Supreme Court on merging Lucky's and Alpha Beta's Southern California units.
- SAN FRANCISCO — Joseph Polastri, McKesson Drug's president, adds to his business card the title of vice president of parent McKesson Corp.
- ALEXANDRIA, Va. — Peoples named Peter Hill vp-information systems and Sam Dacharux, vp-distribution with the departures of Chuck Sonnenberg, exec. vp-IS, Fred Goepfert, vp-systems development, and Wilson Lester, exec. vp-distribution.

Revco draws takeover interest

By James Frederick

TWINSBURG, Ohio — Revco D.S. is beginning to look like a choice takeover prospect to some investment groups as it works its way back to health under Chapter 11 protection. The company has already received one unofficial takeover offer from Acadia Partners, L.P. and the Robert M. Bass Group, and reportedly is generating interest from other parties.

Acadia, which is controlled by the Texas-based Bass Group, sent a letter to Revco in mid-October expressing an interest in acquiring the chain "pursuant to a confirmed plan of reorganization in Revco's pending Chapter 11 bankruptcy case." The offer is valued at $925 million, but would add more debt to Revco's already burdened balance sheet through a new junk bond offer and the restructuring of old debts.

Acadia already owns a controlling interest in Indianapolis-based Reliable Drug Stores, a former division of Peoples, and a major stake in two former Safeway divisions in the Southwest.

Specifically, Acadia proposed to pour $150 million in cash into Revco and issue $260 million in new debt for the purchase, resulting in approximately $410 million to be used for cash payments to creditors and interest holders. The deal also calls for the reinstatement of $515 million in debt securities "directly with creditors," according to Revco.

Revco officials and bondholders reacted to the offer warily. For Revco, the Bass deal means the chain would emerge from bankruptcy still carrying a big debt load.

"We have many questions about this," said Revco spokesperson Kathy Obert.

Revco chairman and chief executive Boake Sells was out of town and

See **Revco** *page 29*

Thrift experiments with self-serve food in high-traffic store

MONROEVILLE, Pa.— Thrift Drug is experimenting with a self-service snack shop in one drug store here.

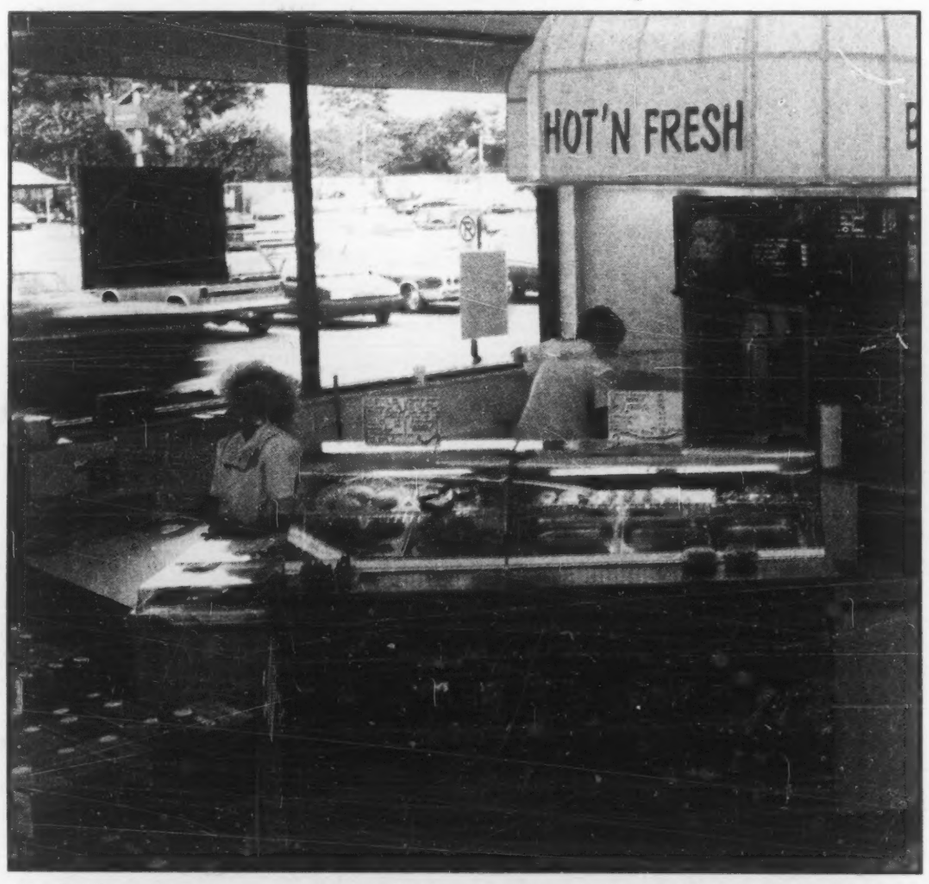
The 600-square foot shop includes a self-serve frozen yogurt machine, a self-serve beverage bar with hot dogs, coffee maker, and post-mix soft drinks, and a convection oven with a showcase for breakfast products, pizza and chicken.

"It goes back to the fountain days," said Rich Johnson, Thrift vp-facilities, planning and construction, who noted that Thrift will likely introduce some of the shop's features into at least one other store soon, following three months of observing this initial setup.

Like many drug chains, Thrift has added convenience food sections in selected stores. The self-service angle is a new twist for Thrift. Johnson said the department has been successful, generating mostly incremental sales in the high-traffic store. Besides being a 24-hour store, it is well located along major commuter roads in this densely populated Pittsburgh suburb.

"Putting this in a store that doesn't have heavy traffic

See **Thrift** *page 29*



Thrift is testing food with a twist: self-service and a hot foods showcase that is building incremental sales.

Ex-Dart execs rebut Labor Dept. charges

WASHINGTON, D.C. — Two former Dart Drug Stores officers, charged by the U.S. Department of Labor with misusing a company profit-sharing plan, have responded that they invested the funds fairly following a blueprint by Dart Group officers who were selling the company to its employees.

Hansbrough

Al Towle and Stephen Hansbrough contend that the company's profit-sharing plan paid a fair price for Dart stock when investing in the 1984 $160 million leveraged buyout, which was largely debt-driven, according to papers filed in U.S. District Court here.

Towle

The two defendants, charged with violating the Employee Retirement Income Security Act (ERISA), which governs private benefits plans, also said they weren't fiduciaries of the plan as charged, but rather were administering a plan formed by the Dart Group.

"The Dart Group. . . caused the Dart [employee profit sharing] Plan to be established. . . for

See **Dart** *page 29*

50 Health Marts planned for Greater Chicago area

CHICAGO — Health Mart, FoxMeyer's franchise program, signed a letter of intent to convert 25 Family Drug franchises to Health Mart stores in the Greater Chicago market.

The conversion, with closings expected by year's end and grand openings anticipated next spring, will bring to 35 the number of Health Marts here. The Windy City is the nation's second-largest market in drug store sales, having reached $2 billion in this fast-growth market last year.

Michael Webster, president of Health Mart, predicted that 50 Health Mart franchise agreements in Chicagoland may be signed by year-end.

"The pharmacies participating in the program will receive a customized store layout, with our red, white and blue interior and exterior signage," Webster said. They'll also get an integrated advertising, merchandising and pricing plan, and an aggressive private

See **Health Mart** *page 29*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Arbor opening five units in November

TROY, Mich. — Arbor Drugs will boost store count to 92 units with the opening of five new drug stores this month in Southeastern Michigan. The openings include the first of several units Arbor plans to put into the Saginaw-Bay City-Midland Tri-City market north of Detroit.

The other four stores are in Ann Arbor, Chelsea and Mt. Clemens.

By the mid-1990s, the chain plans to have 150 stores in Michigan.

"Our experience, as well as our research, confirms that the metropolitan Detroit market can support a substantially greater number of Arbor drug stores," noted Arbor chairman and chief executive Eugene Applebaum. "In the most densely populated areas, we are able to operate multiple, high-volume stores which are located just five minutes apart.

"Convenience-oriented shoppers," he added, "today are more apt to measure the time it takes to drive to a store than they are the actual mileage to it."

Bergen's Good Neighbor ads get raves

ORANGE, Calif. — The launch of national cable television advertising spots to support its Good Neighbor Pharmacy program is generating positive feedback from stores and customers for wholesaler Bergen Brunswig.

Tom Allison, vp-merchandising, said that about 150 new stores have joined the voluntary, since the campaign, which began Sept. 1, was announced in July: "There has been a definite upsurge in the program during the last three months."

The commercials are running on a two-week-on and two-week-off schedule through the end of the year on such shows as "Health Week" and "Nutritional News." Allison said Bergen will probably continue the campaign in 1990.

Douglas names Robinson, Haronian vps

PROVIDENCE, R.I. — Douglas Drug has named Michael D. Robinson its new vice president of finance, replacing Rudolph Charpentier, who had been with the 16-store chain since 1980.

In addition, Kathleen Haronian has been promoted to vp-corporate development. The daughter of Douglas president John Haronian, she was formerly advertising coordinator.

Robinson was previously senior vp-cfo of American Tourister, the luggage company based in Warren, R.I.

Jacob Schein dead at 49

Schein

POUND RIDGE, N.Y. — Jacob M. Schein, chairman and ceo of Henry Schein Inc., Schein Pharmaceutical and their subsidiaries, died at home of cancer Nov. 4 at age 49.

The Schein Group of Companies, which he headed, is a privately held organization with two major components: Henry Schein Inc. and its subsidiary, Zahn Dental Co., and Schein Pharmaceutical and its subsidiaries, Danbury Pharmacal and Steris Laboratories.

Schein was a founding member of the board of directors of the Orphan Drug Foundation and was active in the American Dental Trade Association, the Dental Manufacturers' Association and the Generic Pharmaceutical Industry Association. He also was a trustee of Alfred University, of which he was a graduate.

Jean Coutu's conversion of Cloutiers under way

LONGUEIL, Québec — The Jean Coutu Group (PJC) has reached the final stages of its takeover of much of the Cloutier drug store group from Metro Richelieu, with eight former Cloutier units already under the Coutu banner and four others closed.

Coutu agreed late last summer to purchase 15 of 22 Cloutier drug stores from Metro, including all the Cloutier units in the metro Montreal market. The takeover eliminated another chain drug competitor from Montreal — Shoppers Drug Mart had pulled out earlier in the decade — and boosted Coutu's dominance in the metro market, especially in Montreal's northern suburbs.

All 15 Cloutier stores were franchise operations, and those that remain open have been turned over to original or new franchisees under Coutu. The chain is close to reaching an agreement with two holdouts who balked at the original takeover deal, said Francois Jean Coutu, executive vp-pharmacy. "We expect to convert those two stores in the next month or so," he said. "Eight of the 10 full-line drug stores we kept open have already been converted to the Jean Coutu logo."

A clinic pharmacy was also among the 15 Cloutiers purchased from Metro.

The chain will probably wait until after Christmas to completely overhaul the former Cloutier stores. "Some of the product mix was quite different from ours, and we have to readjust," said Coutu.

Greater POP use planned by retailers: study

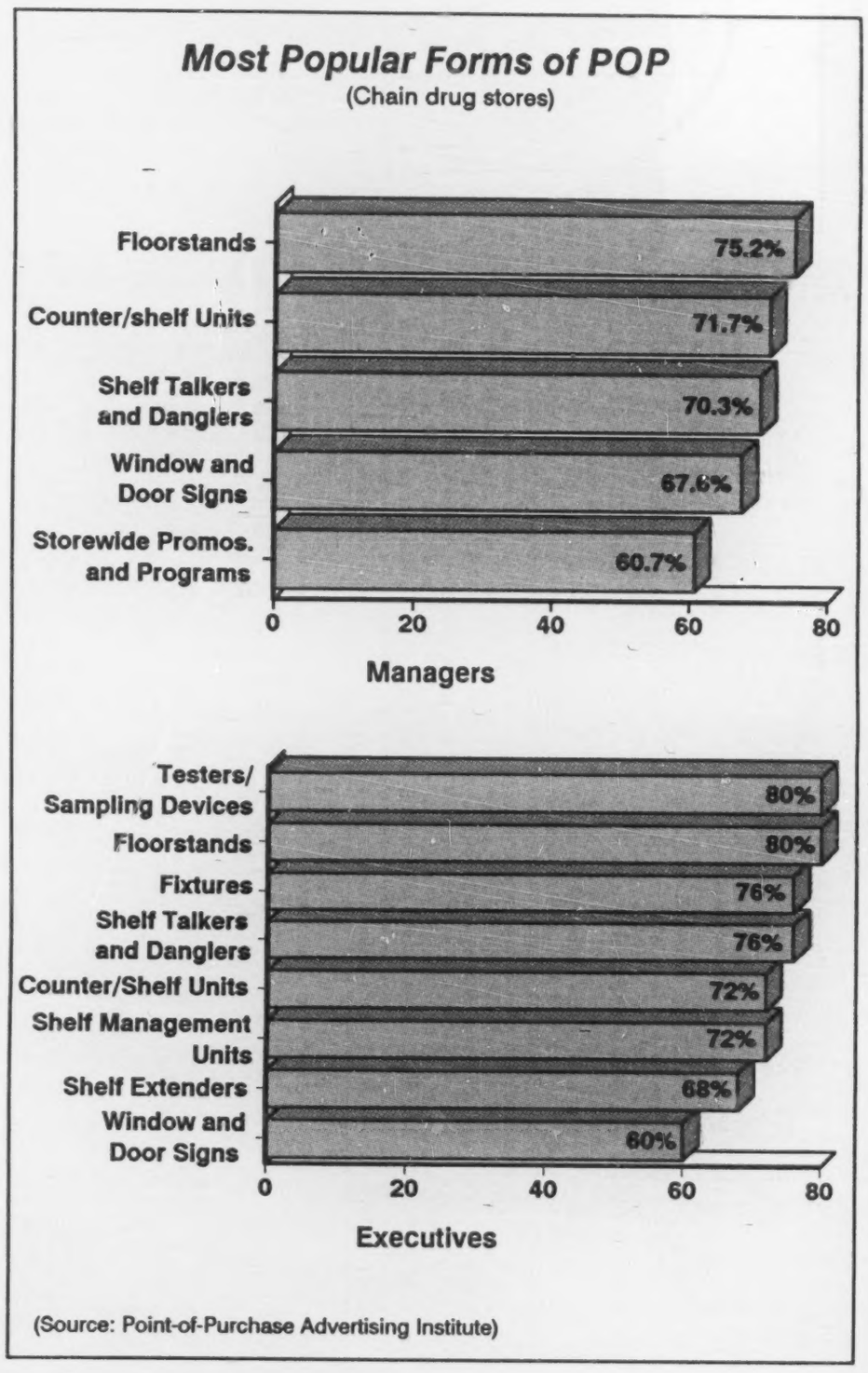
NEW YORK — POPAI (Point-of-Purchase Advertising Institute) unveiled the first results of its two-part study, "Retailer Attitudes on POP," during the institute's Marketplace '89 trade show in New York recently.

The study covers seven classes of trade nationwide, and the first phase zeros in on chain drug stores, convenience stores, mass merchandisers and the automotive aftermarket. The second part, on supermarket, package-goods and home center classes of trade, will be completed early next year, said John M. Kawula, POPAI president.

In-person interviews were conducted with store managers and headquarters executives of key chains, with the aim of gaining a broad picture of their attitudes toward POP advertising. The interviewing was done by The Ehrhart-Babic Group of Englewood Cliffs, N.J.

For the drug chain segment, 145 store-level managers and 25 headquarters executives were interviewed. Here are some highlights of the drug chain findings:

- Eight out of 10 drug chain execs and store managers use the same amount or more POP compared to two years ago.
- Eighty-six percent of execs and 92 percent of managers said they'll use the same amount or more POP in the future.



Eighty-six percent of execs and 92 percent of managers said they'd use the same or more POP in the future.

- Nine out of 10 execs and managers said POP is "extremely," "very" or "somewhat" effective in boosting sales and attracting attention.
- More than half of the managers and 76 percent of the executives answered yes when asked, "Have you ever used interactive displays?" Interactive cosmetics displays were cited most often by managers, and second most often by executives, as effective in moving product. The largest percentage of HQ execs cited explaining product/providing information as an advantage of interactive displays.
- Of execs who said they had not used video displays, half said they "might not use" them in the future, and half said they "probably would not." (Among managers, the reponse was 29.4 percent and 41.2 percent, respectively.)
- Almost all managers and execs said they use POP for new products, with more than two-thirds of each respondent group indicating POP works better with new products than with established ones.
- The most popular form of display among managers was floorstands; among executives, floorstands and testers/sampling devices. Counter/shelf units and shelf talkers/danglers also got high ratings among both groups. [*See chart.*]
- Asked how manufacturers and suppliers of POP signs and displays can better meet drug stores operators' needs, the highest percentage of both groups — 60 percent of executives and 20 percent of managers — said by downsizing and varying display size.

Other improvements suggested most often: Improve field support and rep follow-up (36.0 percent of execs, 11.7 percent of managers), improve display construction (28.0 percent of execs, 14.5 percent of managers), improve communication (advance notice on shipments of display and product and advertising campaigns) and improve displays visually (16.0 percent of execs, 13.1 percent of managers).

For more information, write POPAI, 66 N. Brunt St., Englewood, N.J. 07631.

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OPINION

Lean & mean team drives Reliable

IN THE MARKET
BRUCE BUCKLEY

At Reliable Drug's dinner for vendors last month in Indianapolis, Roger Grass referred in a light moment to his crew of "100-hour executives." He meant the amount of time his "lean and mean" management team puts in every week. At 8 o'clock the next morning at headquarters, it became obvious that Reliable's new chief executive hadn't been exaggerating — at least not by much. Business had been going full blast for at least an hour. The impression: someone had been feeding these people rocket fuel.

Since last March when Roger Grass learned that his former company, Rite Aid, had passed on the chance to buy Peoples' Midwest operation, Grass' quest to acquire and recast the 115-store Indianapolis-based former Haag chain has been going on at, well, Indy 500 speed.

At the dinner Roger spoke almost nostalgically about the seemingly endless car trips that he and Chuck Conaway, now executive vp, made from Harrisburg to New York to arrange financing for the deal. Roger, 33, and Chuck, 29, ate a lot of late-night pizza and Häagen-Dazs to sustain their energy levels during the long months of uncertainty and stress.

Eventually they succeeded in lining up the needed support: $15 million in equity financing from Acadia Partners (the same Robert Bass-led group that has now made an offer for Revco) and $50.7 million in loans from the Bank of America.

Since the acquisition early this summer, the new venture has been moving at a blurring pace. Debt is rapidly disappearing. At the dinner, Grass announced that almost $18 million in bank debt had already been repaid. By February the debt will be whittled down to less than $15 million, he promised.

While the stores still carry the Peoples logo and some of the same merchandise (the $60 million sale price included some $58 million in inventory), a lot of changes have been quietly taking place that will eventually result in a complete makeover at the chain. Here are some:

- A new everyday low-pricing policy has an added wrinkle: a "bonus buy" program that uses deal buying to create deep discount-like super specials. Prices on hundreds of prescription items have been reduced.
- Every department in the store is being replanogrammed. Thousands of items are being cut as Reliable pares down its selection to 12,000 SKUs, heavily weighted to core drug categories. Inventory will be reduced to about half of the total under Peoples, as the chain aims to rev up its turns.
- New automated systems are being introduced. In pharmacy, where a great deal of emphasis is being placed, Reliable introduced the Condor Rx computer system chainwide. Through PCS, on-line third-party adjudication has been added. Reliable is pursuing third-party aggressively, so management is seeking to handle that low-calorie profit business as efficiently as possible.
- Reliable's stores are in good shape, the result of a heavy investment by Peoples. Leases average nine years (with options to 14). Many stores will be downsized to conform to a smaller Reliable prototype.
- A partly automated, 250,000-square-foot distribution center is capable of servicing twice Reliable's current store base without even adding a second shift.

Roger Grass (center) and Chuck Conaway greet vendor.

Reliable Drug will emerge fully remade sometime after the new year breaks. It will be doing business in some of the most competitive markets in the country. The guess here is that the youthful energy that has carried Grass and his team this far is going to create some real sparks in the Midwest.

Fiscal plays killing off entrepreneurship?

THE HUMAN SIDE
AL HELLER

Entrepreneurship, the heart of American retailing, is being pummeled today by the greater muscle of takeovers and leveraged buyouts, fed by high-risk debt.

The most graphic example of their impact on the chain drug industry was tendered recently by Alex Grass, chairman of Rite Aid, when he declared there is less competition for acquisitions and store sites today than at any time in the company's history.

Restructurings and LBOs, often done as takeover defenses, continue to hinder retailers from expanding aggressively; managers concentrate instead on running their businesses to pay down debt.

This is truly a bonanza for Rite Aid, which has grown 57 percent since early 1987 by stepping in where others can't, but indeed marks a disturbing trend of low growth for the industry. Had Rite Aid, for example, been pressed by competitors to build new stores in order to grow, that would mean plus-growth for the trade.

So, entrepreneurship barely has a pulse because accountants, rather than people with gusto for building businesses, are in prominent positions today. The days are over when the Skaggs family could develop the Skaggs and Sav-on chains without fear of being swallowed, or on a smaller scale, when Nat Lipsyc and Gerald Zlotnik could grow Medic Discount in Cleveland, despite an abhorrent business climate there in the 1970s.

The Hafts played a large role in setting this tone. The mayhem they created when pursuing Supermarkets General, Kroger and Safeway has altered the emphasis of management at possible target companies — those with strong balance sheets or valuable real estate. Their takeover attempts prompted massive breakups of companies, derailed careers and shattered the growth dreams of many who labored decades to build their businesses.

One ranking Supermarkets General executive told *Drug Store News* not long ago that the food-drug retailer would be far stronger today had it not been forced to engage in the battle for ownership.

Managing with one eye over your shoulder can't be as effective as making legitimate and sensible moves to grow one's chain.

Many innocent people get hurt, not the least stockholders, whose investments are affected by defensive management practices or by steps that are publicly taken to "enhance shareholder value." These steps typically enhance value just enough to keep shareholders quiet.

For example, the managers of company XYZ decide to undertake an LBO, and offer stockholders a $15 premium per share. Outsider ABC tops that offer by $20. XYZ managers ultimately beat ABC's offer by another $10.

What happened here? XYZ managers sought to "enhance shareholder value" by $15 when they recognized it deserved to be enhanced by $45; they would pocket the difference. Then they pay by floating high-risk bonds. It's beautiful, if they can get away with it.

Today's lack of entrepreneurship is a clot in the circulatory system of the drug trade, leaving it vulnerable to encroachment by other trade classes on its core health care businesses.

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INSIDE PHARMACY
PHARMACIST EDITION

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Buying groups seek a new role as growth ebbs

By David Vaczek

When Bill Robinson, owner of Oakland Pharmacy, Oakland, Iowa, joined the PACE buying group in 1985, he realized "terrific" savings on his cost of goods. In the past, Robinson bought from drug wholesalers McPike and Brown and was a member of Alco Health's Family Independent Pharmacy voluntary program.

PACE, however, was different. PACE (reformed as PACE-ALLIANCE in 1987 and owned by 16 state pharmacy associations), was shopping generic drug vendors for the best prices for its members.

Dennis Meyers, co-owner of Crandall's, a successful two-store Phoenix independent, won't join a buying group, or United Drug, the cooperative based here. Meyers feels loyal to his wholesaler, Bergen Brunswig, and doesn't want to switch to McKesson, required by United. Also, Crandall's doesn't want to be forced to car-

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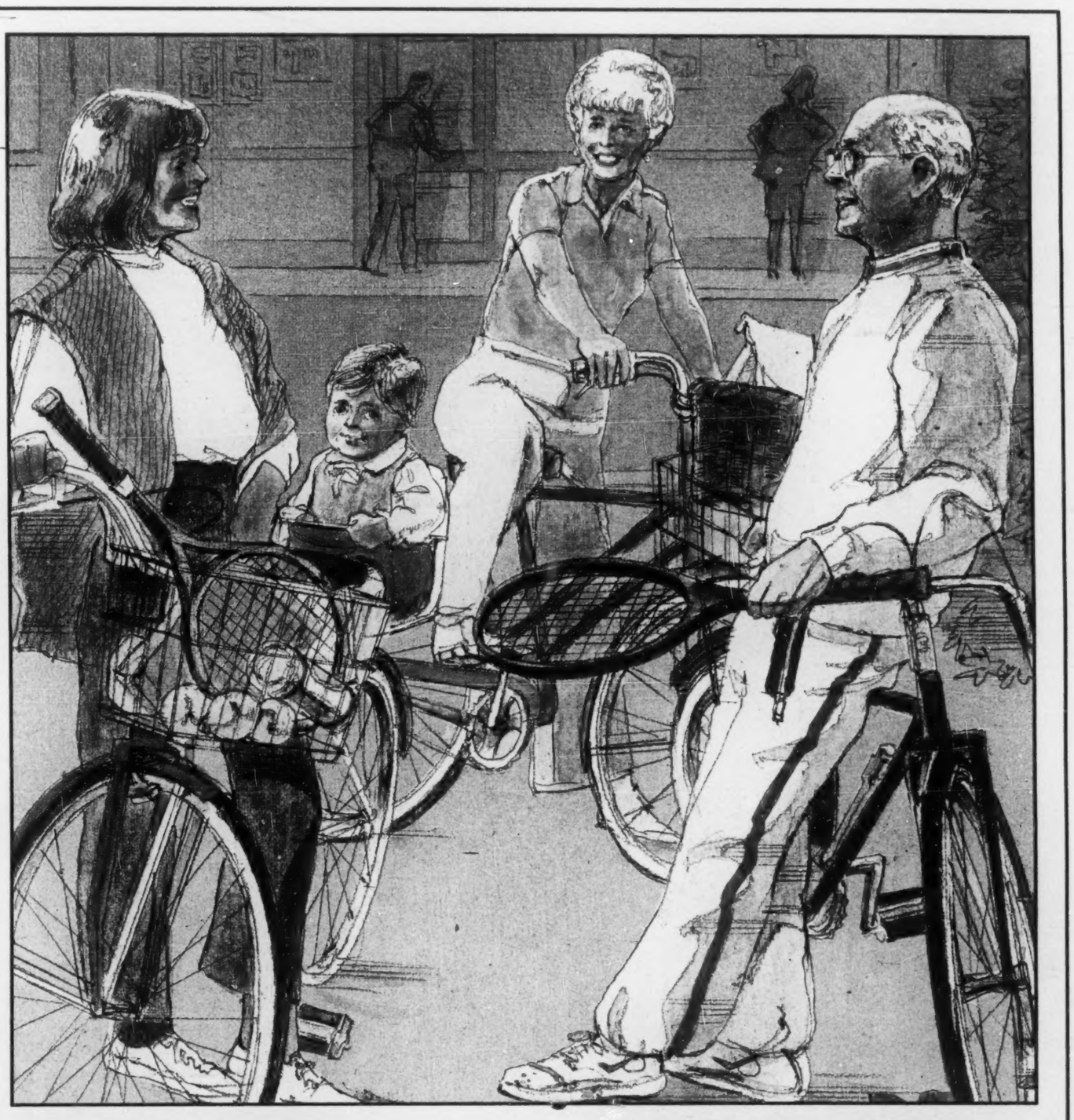

Retailers set sights on modern mature

By Christine Bizzarro and Elizabeth Richardson

Over the next decade, the 50-plus age group will grow by 18.5 percent, to 76 million people. Drug retailers, anxious to carve a piece of this market for themselves, have already begun staking a claim by launching marketing programs aimed directly at the emerging "modern mature."

The modern mature, unsaddled by a sedentary image, lead active, productive lives. As a group they are becoming increasingly concerned about health issues and the prolonging of youth — attitudes held over from their 1950s "baby boomer" generation. They account for 40 percent of total U.S. consumer demand, and with their $800 billion combined annual income, control 51 percent of the country's discretionary income.

According to Duff and Phelps, Inc., a Chicago-based investment research and financial consulting firm, this group is important to the future of the retail drug industry.

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Some drug stores no longer think of themselves as retailers catering to the sick as many embrace 'wellness.' **25**

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Though not quite the McDonald's of drug stores, Medicap shows a drive-thru Rx window in its new prototype. **30**

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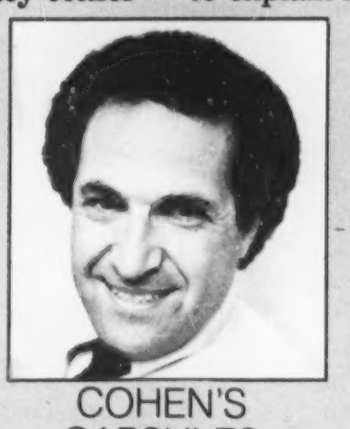
Vol. 4, No. 11 Nov. 20, 1989

George has the write stuff

By now, many of you who are faithful readers of this column are probably a little tired of my beating up on retail pharmacists who don't provide the kind of customer service that will catapult them above their competitors. I've been told by many that it's just plain common sense to offer the highest degree of service delivered in the most courteous manner. You think it's common sense? Well, so did I. But I recently experienced a level of service from a major corporation that could really do a business in.

The incident took place at a national pharmacy conference being held at a major hotel chain. I rented a car during my stay and had the car valet parked. One day after returning to my room, I realized I left my camera in the back seat of the car. I went downstairs and asked valet parking to get my car. Well, you guessed it, the camera was gone. I filed the necessary security reports and the next day I went to see the general manager of the hotel. Since I needed the camera to cover the convention, I wanted to see if some kind of arrangement could be worked out to rent me a camera for the next couple of days.

As I entered the executive suites, I was met by a receptionist to whom I told my dilemma. She told me she would send out the general manager's secretary. I politely said I wanted to speak to him myself. By this time, I was getting a bit hot under the collar. To my surprise, I didn't even get to speak to the general manager's secretary, instead the director of security came out. All we accomplished was rehashing the report I gave the night before. He said he had no authority to do anything else.



COHEN'S CAPSULES
HAROLD COHEN

Disgust follows

I left disgusted. I took revenge in a letter to the chain's president. That seemed to get attention. But, in retrospect, all of the letter writing and apologies by the company could have been avoided if the general manager had just taken five minutes of his time to talk to a disturbed customer about an embarassing problem (after all, the camera *was* stolen from a car that was valet parked by the hotel staff). For a moment it kind of reminded me of pharmacists who are just too busy filling prescriptions to come from behind the counter to talk to a customer with a problem, minor or otherwise.

Well, while my camera story may not have a happy ending, when I returned to my office and started going through my mail, I came across a newsletter from Scharringhausen Pharmacy in Park Ridge, Ill. George Scharringhausen has been sending me his newsletter for some time now. I always read it, but this time I read it with a little more interest. I immediately compared how he treats his business to the way the hotel treated me. It's not a fancy newsletter, in fact, most of it is done on a regular typewriter. But it has a feeling of warmth that is difficult to explain in a column.

I called George to tell him how much I appreciated getting his newsletter, and he and his son Bill, who got on the extension phone when he heard I was calling, told me something interesting. The newsletter doesn't go to customers, it goes to health care professionals and "friends of the industry." It's not a slick piece of Madison Avenue art work but it works. It has nice little touches like a personal article about George and his family or some other member of the community. The one-page newsletter also has some information about new products, a cartoon, a joke or two and a poem. But most of all, it has Scharringhausen Pharmacy's charm.

Meet Myrt

I've never shopped in Sharringhausen, but from reading the newsletter, I have a pretty good idea of what it would be like. Other things that impress me are the fact that it highlights a separate phone number answered only by a pharmacist and an answering machine he fondly calls Myrt. "You remember the old radio show, Fibber McGee and Molly, don't you?," George asked me. "The operator's name was Myrt."

The banner features a hand-drawn show globe. It's titled *Secundum Artem* and it says it's "published PRN by Scharringhausen Pharmacy, Park Ridge's Prescription Pharmacy for over 62 years." The 62 is crossed out and handwritten on top of it is "65." Those who retort they don't have the time or money to put out a newsletter should take a lesson from George. Here's the best part. George told me he's been putting out a newsletter for the past 34 years.

Oh, by the way, George, who is now 84, goes to work every day. If you ask me, I'd say George has the write stuff. Thanks George.

My way of thinking. . .

"My Way of Thinking" is intended to give responsible members of the health care community a professional forum to air their views on crucial issues confronting pharmacy today. Presentations should be no longer than 500 words and may be edited for space requirements. Interested participants should mail their presentations to Harold Cohen, Editor, Inside Pharmacy, 425 Park Avenue, New York, N.Y., 10022. Articles will be chosen and published at the editor's discretion.

In your Cohen's Capsules of May 1, you said that we should "settle on a workable and pure AWP so that every facet of retail pharmacy can play on the same playing field." Pharmacy *is* playing on the same playing field as insurance companies or third-party administrators, but they never give us a chance at bat!

The only reason that pharmacies resort to using generic products with high AWPs and low actual costs is because the dispensing fees are never increased. So, when we use a high-AWP generic, we are now getting a chance to bat. But then when the union realizes this, and they drop the reimbursement level, they take away our bat.

Other ways, besides the above, of increasing margins on prescriptions is joining a buying group to get contract prices from manufacturers and a bigger discount from wholesalers. But then, PCS or the union will take 10 percent off or want actual acquisition cost! Why should we give anybody this extra profit? Did they earn it?

When your back is to the wall, you improvise to survive. Without that extra discount to pharmacies you cannot survive. . . chain or independent. Don't third-party administrators, unions and insurance companies realize this?

The insurance companies, unions and the like are playing games with retail pharmacies, so why can't we play games with them? They prevent the reimbursement levels from increasing, so we bill them for AWP plus a fee. That's the agreement. It doesn't matter if the AWP is $10.00 and the actual cost is $2.00.

Larry Hort
Sheffield Pharmacy
Schaumburg, Ill.

* * *

Here is a copy of a letter sent to the president of a pharmaceutical company on the issue of multi-tier pricing:

The program against physician's selling medication is designed to take away enough of the financial incentive so that the physician will eventually stop selling medications. At the very least, the program will put a dent into the profit motive. Frankly, I am sick and tired of being beat up on and I AM FIGHTING BACK.

Dear Mr. (president):

Taft Pharmacy is an independent pharmacy that has been in business for 20 years. We have been able to compete and grow despite competitive pressures arising from different areas because we offer service, convenience, competitive prices, etc.

As this point in time you can expect the increasing prospect of the demise of independent pharmacy in the United States. Frankly, sir, (name of company) will have been instrumental in increasing the likelihood of this occurrence.

To make an impact on (name of company), we have decided to hurt you where it hurts most, ECONOMICALLY. I shall ask my patients and their doctors to substitute (another company's) product for yours. (The other company) is not without evil, however, an evil lesser than yours [sic] as I perceive it. I have indicated my new policy to your excellent salesperson. . . and his district manager. . . . I can only indicate what I intend to do. Lest you think I am picking on only you, I have started a local program against physicians selling medications to their patients. Hopefully, that program will spread as more pharmacists become aware of it.

Your district and regional managers asked what (their company) can do? The answer is simple. Stop your practice of multi-tier pricing. If (name of company) can afford to sell (various products) at GREATLY reduced prices to bid groups then you can certainly afford to lower your prices for the benefit of the general American public.

Rubin Snyder
President
Taft Pharmacy

DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Buying groups give king-size clout to independent pharmacies

Continued from page IP1

ry United's commodity merchandise.

Retail pharmacy buying groups — during their past decade of rapid growth — have helped independent pharmacy members compete with the large chains.

As a result of the buying clout they offer to vendors and wholesalers, buying groups have allowed their small pharmacy members in many cases to purchase pharmaceuticals and OTC items at the same costs paid by the large chains.

"PACE had people out there trying to improve my acquisition price on generics," said Oakland Pharmacy's Robinson. He can now buy generics at 20-percent less than before. Robinson saved 1.5 percent, or $7,500, in the first year.

"I think the day has come when you literally have to be in somebody's buying group if you're going to remain in the marketplace and compete," Robinson says.

Others, like Crandall's, who

resist joining buying groups, have benefited from the impact they've had on marketplace prices.

"We didn't want the dog food, fertilizer, and soda," says Meyers, whose stores are in Phoenix's upscale Camelback suburb.

Meyers won't even join Bergen's Good Neighbor Pharmacy voluntary program, calling it "more of the same," as he wants to be free to choose the merchandise and promotions for his store. Though he gains top prices on generics in Bergen's Source buying program, Meyers says service, and not price, is his customers' main concern.

Membership flat

Though buying groups have undeniably boosted independents' ability to compete with chains over the past decade, they're at a crossroads today, facing flat membership growth, and competition from drug wholesalers' and vendors' buying programs.

Of the nation's 32,000 independents, an estimated 6,000 to 7,000 belong to buying groups, say industry sources. Another 5,000 belong to wholesalers' voluntary programs (some of those belong to a buying group also), and several thousand more independents belong to co-ops.

Buying groups typically negotiate deals on two levels. They encourage generic drug and branded pharmaceutical suppliers with multi-source products to submit cost bids on items. Then they get the wholesaler to pass the savings through to the pharmacy. They also negotiate "cost-plus" contracts with the wholesaler, typically covering all the products it carries.

According to PACE ceo Benji Wyatt, by "bidding" generic and branded manufacturers, PACE can save members an average of 36 percent on generics in the first year.

On the wholesaler end, a decade ago it was customary for independents to pay cost plus 6 percent, while chains were paying cost plus 2 to 3 percent. PACE members today pay cost plus 2 percent, says Wyatt.

For an independent pharmacist buying $200,000 worth of product from a wholesaler, the savings might translate into $10,000 a year.

"Over the last few years it's become harder to show a big difference between our wholesale pricing and other programs the wholesaler has," says Dick Spears, head of the Pharmacy Buying Association (PBA), a 1,300-member Midwest buying group.

"They're buying on a wholesale level on a par with the chains," says Derek Hall, vp sales at McKesson Drug. "We've all reduced our costs of goods to the retailer groups and really gained, in some cases, not a lot."

But buying groups may have pushed as far as they can go.

For one thing, membership growth has flattened as those independents most needing the groups have already joined.

The largest groups with region-spanning membership — PACE, PBA, Pharmacy Provider Services Corp., owned by the Florida Pharmacy Association, and the California Pharmacists Association's Pharmaceutical Care Network (PCN) say member growth has slackened, or in PCN's case, stalled this year.

"The number of new sign-ups has definitely dropped down to about nil, and the number of new buying groups is zero this year," said Tony DeNicola, a co-founder of the Legend Pharmacy co-op, and now president of A&D Associates, a consulting firm to buying groups and wholesalers' voluntaries.

Competition heats up

Wholesalers and vendors have responded to the buying group low-price challenge by starting their own aggressive buying programs.

Mark Pulido, executive vp at FoxMeyer, said its three-year-old FoxGen generic buying program now services 5,000 indies and chains, and FoxMeyer recently launched Direct Source, providing discounts on the top 500 generic SKUs.

At Bergen Brunswig, the message is much the same. "We leverage all our customers and buying power to get the best possible price on generics," says Phil Engle, president. He agrees the buying groups have had an impact.

"It opened up our eyes to prices that were available to folks with much less buying power than we had," said Engle.

Meanwhile, independents face other alternatives to buying groups. Wholesalers' voluntary programs, and independent co-ops, such as Legend Pharmaceuticals and the New Jersey Pharmaceutical Association's Advantage co-op, are alternatives for small pharmacies desiring a common identity and marketing force.

Drug vendors such as Bristol-Myers' Squibb-Mark are chasing market share with a program that essentially competes with buying groups for independents' purchases.

Squibb-Mark launched Club Rx to market 300 generic SKUs (building to 525 by year's end) backed by Yellow Page, newspaper and in-store advertising and rebates, said Frank Stiefel, Squibb-Mark manager of trade affairs.

"The prices are proving to be highly competitive and without exception are falling under the federal MAC price lists," said Marty Lambert, ceo of RxNet, the National Association of Retail Druggist's (NARD) PSAO. RxNet has just started advertising Club Rx to its 15,000 members.

New relationships

Wholesalers' strong emphasis on their buying and selling programs today has inevitably drawn attention to the wholesaler/buying group relationship, which is sometimes uneasy, if also sometimes mutually beneficial.

"The irony is that the prime vendor [wholesaler] is our biggest asset; but in many cases we're put in the position of competing with our prime vendor," said PBA's Spears, who is also president of the Federation of Pharmacy Networks, a three-year-old association for buying groups.

The wholesaler, on the other hand, is trading profits for volume, in some cases, accepting lower costs in return for gaining new businesss, or to hold onto existing business. That's true at McKesson to some extent, where 12 of its top 30 customers are buying groups, accounting for 10 percent of volume, said Hall.

"We have to be very careful," said Hall, noting that a strong independent base has the potential to benefit all sides.

Member growth ebbs at major regional buying groups

Name	Number of members	12-month member growth	Wholesale volume (millions)	Use prime vendor	Owner	State(s) of operation
Pace-Alliance	2,203	4%	$250	yes	10 state Rx assocs.	Ark., Kan., Iowa, Colo., Neb., N.M., Minn., N.D., Ore., Ind.
Pharmacy Buying Assoc.	900-plus 400 affil.*	15%	$150	yes	65 indies	Mo., Kan., Iowa, Ill., Neb., Ark., Okla.
Pharmacy Provider Services Corp.**	2,000	5%	$300	yes	Fla. Pharm. Assoc.	Fla., Ky., Ill., Ga., Mass., Tenn., W.Va.
Pharmaceutical Care Network	1,600†	zero	$12††	no	Calif. Pharm. Assoc.	Calif.

*400 Oklahoma stores administer their own program with affiliation pact allowing access to PBA contracts.

**Buys for seven state groups: Kentucky Pharmacy Services Corp., MedSave (Ill.), Georgia Pharmaceutical Services, Massachusetts Retail Buying Group, Tennessee Pharmacy Care, Inc., West Virginia Pharmacists Association, Florida Pharmacy Association.

†Includes 650 new members from PCN's PSAO, who this year were offered buying group membership.

††Volume on contract items with vendors from 950 members. There are no contracts with prime vendor wholesalers.

Source: Individual buying groups, *Drug Store News* estimates.

Marketing programs keep groups afloat

How will buying groups stay appealing and continue collecting the retailer and wholesaler fees many do to make a profit and cover administrative costs?

They have to move from their original focus on generic drug buying to selling: creating marketing programs like those used by the co-ops and the voluntaries.

"The groups have to reexamine their *raison d'ètre*. The buying function doesn't have the meaning it did five years ago. And they are now saying, 'We need more tools,'" said Tony DeNicola, president of A&D Associates.

Pharmacy Buying Association is "evolving into a selling program," said Dick Spears, its head. One program is the Certified Rexall Retailer private label OTC program, backed by store identity, circulars and TV, he added.

Pharmacy Provider Services Corp. offers its Pharmacist's Preferred private label program, and just gained an 18-month contract for discounts on 8,000 durable medical equipment and home health care SKUs, said PPSC executive director Cindy Tanner.

Affiliated Independent Druggists Inc., a 200-member Midwest group, wants to offer products and services covering "anything for which the retailer might be writing a check," said president Gerrit Heida.

"The independents will look for more goods and services they can't individually get," agreed Rich Scoza, Legend's national advertising director and New York group executive director.

Notwithstanding this trend, buying group and co-op managers believe their groups offer a unique service.

Said Tanner: "The. . . buying group today has included an advocacy role on behalf of the pharmacist. They can be assured of an entity promoting our concept, and giving them a voice."

DRUG STORE NEWS®
INSIDE PHARMACY
PHARMACIST EDITION

SupeRx network serves as safety check

THE MODERN MATURE

PHOENIX — With many retirees moving here, SupeRx is taking the lead when it comes to marketing to the modern mature.

"We're very dedicated to the senior market," Bob Uecker, vp-pharmacy, said. "Arizona is one of the biggest areas for retirement communities and we're very dedicated to making sure we serve their needs."

The chain offers many of the same services for elderly persons as other retailers. However, SupeRx goes a step further for its customers.

Currently, plans are underway to unveil a new link-up service with its Synercom computer system. All prescription information will be linked by a SupeRx computer network to all pharmacy locations. Installations on the system started last month and the chain hopes to be fully operational by the first quarter of 1990.

"This gives our customers the advantage of a safety check," Uecker said. "That way if a patient goes to a pharmacy close to their doctor's office once, then, at another time, goes to one nearer their home, all of the information is there, so we can catch any medications that might possibly interact with one another."

SupeRx also houses a larger home health care unit than most chains.

"We target the high-retirement areas, and provide home oxygen, durable medical equipment (DME), home health care products, as well as home IV therapy," Uecker explained.

Much of SupeRx's emphasis resides in Phoenix and the surrounding Maricopa County area. The chain is currently the sole pharmacy provider for all county-paid long-term medical facilities, which totals approximately 3,500 beds.

"I believe that the long-term care delivery system in Maricopa County is state of the art," Uecker said. "There are no homes with county-paid beds that we don't serve. Our goal is to put together services which enable the senior to stay at home as long as possble. But when they and their families deem it necessary for them to move into these facilities, we're there once again to service them."

Although other counties in the state contract on a home-by-home basis, SupeRx has many of these contracts as well and Uecker hopes that eventually, more plans like the one in Maricopa County will be developed.

The pharmacists also man "Careline," an information line available for persons to call the pharmacists and ask questions about their medications.

"The reasons behind this program are basically to serve the senior population," Uecker explained. "This group uses the pharmacy more than any other segment.

"With specialized medicine, these people see several doctors at one itme, and they get different prescriptions from each," he added. "Most of the time, the doctors are aware of this, but sometimes they aren't. Plus, when people go to a doctor's office, many times it's a stressful situation and they forget very quickly what their doctor told them to do. This hotline serves as a reinforcement service."

Uecker stresses that in each of the programs directed at the modern mature, the chain is dedicated to the best possible service for their customers.

"If we can't do a quality job, we just won't do it at all," he said. "It takes a lot of expertise to market these areas effectively, and we're not going to do the job halfway."

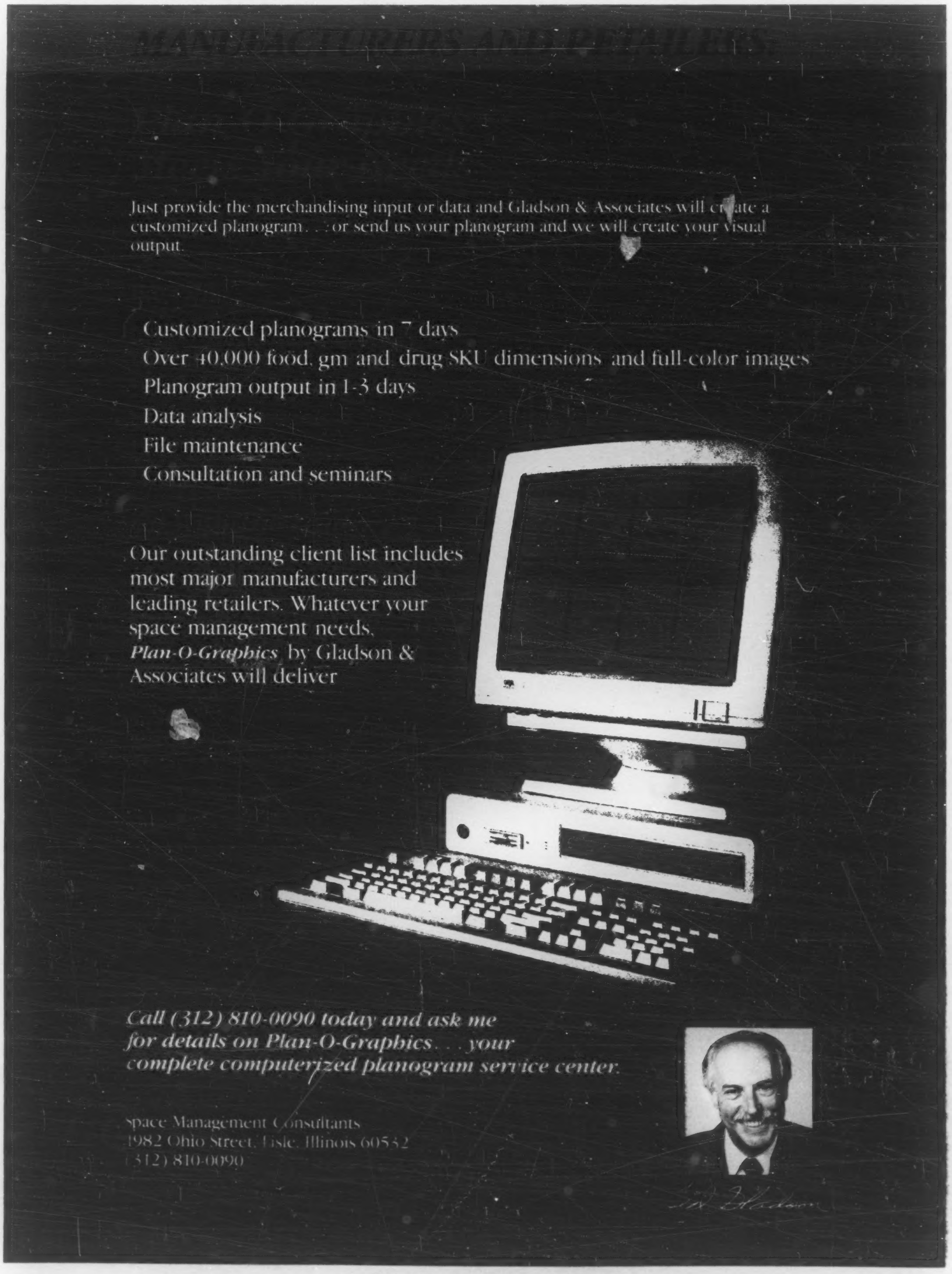
Reasons why people 55 years of age and older patronize specific pharmacies/ drug stores

(Percentage citing reason*)

Convenience	46.2%
Past satisfaction with products/services	37.3
Company's reputation	33.9
Money-saving incentives	24.9
Helpful personnel/staff	21.3
Product/service selection	19.8
Spouse's suggestion/ request	9.3
Advice of expert and/or advocate group	7.1
Friend's suggestion	4.9
Other relative's suggestion	3.5

*Percentages exceed 100.0 percent due to multiple responses.

Source: Dr. George Moschis, excerpted from "Older Consumer Responses to Marketing Efforts of Select Industry Groups," The Center for Mature Consumer Studies, Georgia State University.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FINANCIAL

McK's second qtr. posts record; distribution businesses lead way

SAN FRANCISCO — Paced by its core distribution businesses, McKesson Corp. posted record results for the second quarter and first half ended Sept. 30.

Second-quarter revenues rose 8 percent, to $1.9 billion from $1.7 billion, and income from continuing operations was $26.4 million, up 28 percent from last year's $20.6 million. For the first half, revenues gained 9 percent, to $3.68 billion, and income from continuing operations was up 13 percent, to $50.4 million.

The company said strong performance of its drug distribution and bottled water business and the continuing turnaround of service merchandising operations reaped gains that more than offset declines in profitability of McKesson's two majority-owned subsidiaries, Armor All Products and PCS. Neil E. Harlan, chairman and ceo, noted that McKesson's two distribution companies accounted for 72 percent of operating profit and 94 percent of revenues in the quarter.

Drug distribution's operating profit was $36.7 million for the quarter and $70.9 million for the half. Revenues were $1.53 billion for the quarter and $3.02 billion for the six months. Operating margins remained steady at 2.4 percent compared with the prior-year quarter, in spite of start-up costs to service 900 Wal-Mart stores, and faster growth in lower-margin chain store warehouse business than in retail sales.

PCS posted a second-quarter operating loss of $100,000, versus a $3.8 million profit a year earlier, on revenues of $22.7 million, an 8-percent gain. First-half operating profit dropped 80 percent, to $1.8 million; revenues rose 7 percent, to $45.9 million.

PCS's second-quarter profitability was reduced by expenses related to its recently terminated bid to process prescription drug claims under the Medicare Catastrophic Care program and by an accrual related to the severance agreement with PCS's former president, McKesson said.

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Advances	23
Declines	31
Unchanged	5
New highs	5
New lows	7

	Close 10/24/89	Close 11/7/89	Net Change	Percent Change
Drug Store News Index	2867.13	2850:25	– 16.88	– 0.59
Dow Jones Industrial Average	2659.22	2597.13	– 62.09	– 2.33
Standard & Poor's 500-Stock Index	343.70	334.81	– 8.89	– 2.59
N.Y.S.E. Composite	190.05	185.74	– 4.31	– 2.27
Value Line Index	288.81	254.76	– 34.05	– 11.79

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/24/89	Closing Price 11/7/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	18.75	19.00	0.25	1.33	20	0.16	0.84	24.75	8.00
OTC	Big B	BIGB	12.75	13.00	0.25	1.96	16	0.16	1.23	15.25	10.63
OTC	Drug Emporium	DEMP	10.63	8.88	– 1.75	– 16.47	13	0.05	0.56	16.38	6.38
NYS	Fay's Inc.	FAY	12.13	11.50	– 0.63	– 5.15	15	0.20	1.74	15.00	8.63
ASE	Genovese Drug	GDX.A	10.63	10.88	0.25	2.35	15	0.24	2.21	12.88	8.75
OTC	Leroy Pharmacies (L)	LERY	4.50	4.25	– 0.25	– 5.56	30	0.00	0.00	5.38	4.25
NYS	Longs Drug Stores	LDG	41.88	42.38	0.50	1.19	15	0.96	2.27	46.00	33.63
OTC	Medicine Shoppe	MSII	31.75	31.25	– 0.50	– 1.57	24	0.10	0.32	34.50	20.25
NYS	Perry Drug	PDS	8.63	7.88	– 0.75	– 8.70	8	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	38.88	37.50	– 1.38	– 3.54	16	0.82	2.19	41.13	29.13
NYS	Walgreen Co.	WAG	43.63	41.63	– 2.00	– 4.58	17	0.80	1.92	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services (L)	AAHS	18.75	18.00	– 0.75	– 4.00	39	0.00	0.00	30.38	18.00
ASE	Bergen Brunswig	BBC	26.00	23.75	– 2.25	– 8.65	13	0.32	1.35	27.25	15.63
OTC	Bindley Western Ind.	BIND	9.25	9.63	0.38	4.05	16	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution	CDIC	20.63	20.50	– 0.13	– 0.61	16	0.08	0.39	22.50	12.88
OTC	Durr-Fillauer	DUFM	19.63	20.13	0.50	2.55	13	0.24	1.19	23.25	15.38
ASE	Ketchum (L)	KCH	4.50	3.63	– 0.88	– 19.44	d	0.00	0.00	7.63	3.63
NYS	McKesson Corp.	MCK	35.50	35.63	0.13	0.35	15	1.44	4.04	39.75	29.63
ASE	Moore Medical	MMD	9.63	9.50	– 0.13	– 1.30	d	0.00	0.00	15.13	9.00
NYS	Owens & Minor	OMI	11.38	12.25	0.88	7.69	23	0.26	2.12	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	67.00	64.13	– 2.88	– 4.29	17	1.40	2.18	68.50	44.13
ASE	Alou	ALU	2.50	2.50	0.00	0.00	d	0.00	0.00	3.00	2.38
NYS	American Home Products	AHP	103.88	103.50	– 0.38	– 0.36	15	3.90	3.77	107.25	76.38
NYS	Baxter International	BAX	23.75	22.63	– 1.13	– 4.74	16	0.56	2.48	24.38	16.25
OTC	Block Drugs Co.	BLOCA	36.50	37.00	0.50	1.37	14	0.64	1.73	38.00	30.25
ASE	Bolar Pharmaceutical (L)	BLR	15.00	14.88	– 0.13	– 0.83	9	0.04	0.27	32.25	12.75
NYS	Bristol-Myers Squibb	BMY	52.25	53.63	1.38	2.63	18	2.00	3.73	55.00	41.38
NYS	Carter-Wallace (H)	CAR	56.50	57.50	1.00	1.77	18	0.82	1.43	57.50	38.13
ASE	Forest Labs	FRX	38.88	38.88	0.00	0.00	30	0.00	0.00	40.38	21.88
ASE	Halsey Drug	HDG	5.88	5.50	– 0.38	– 6.38	18	0.00	0.00	7.38	1.88
NYS	ICN Pharmaceutical (L)	ICN	5.38	5.75	0.38	6.98	d	0.00	0.00	7.00	5.13
ASE	Lee Pharmaceutical (L)	LPH	2.88	2.88	0.00	0.00	d	0.00	0.00	5.38	2.50
ASE	Leiner P. Nutrition (s)	PLI	13.25	12.88	– 0.38	– 2.83	15	0.00	0.00	14.25	7.25
NYS	Lilly Eli Co.	LLY	64.00	62.00	– 2.00	– 3.13	20	1.35	2.18	66.25	42.38
NYS	Marion Labs (H)	MKC	33.75	34.00	0.25	0.74	71	0.36	1.06	36.63	18.50
NYS	Merck Co. (H)	MRK	77.88	76.13	– 1.75	– 2.25	21	1.80	2.36	79.63	53.50
NYS	Mylan Labs (H)	MYL	18.88	20.13	1.25	6.62	47	0.10	0.50	21.00	7.50
OTC	Newport Pharmaceutical	NWPH	4.06	4.44	0.37	9.22	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.63	5.25	– 0.38	– 6.67	9	0.04	0.76	11.88	3.88
NYS	Pfizer Inc.	PFE	67.50	67.75	0.25	0.37	16	2.20	3.25	70.75	54.00
NYS	Robins, A.H. (H)	RAH	33.25	35.75	2.50	7.52	20	0.00	0.00	36.38	21.88
NYS	Rorer Group	ROR	41.75	42.13	0.38	0.90	20	0.80	1.90	48.00	36.13
NYS	Schering Plough	SGP	73.50	75.75	2.25	3.06	19	1.80	2.38	79.63	52.50
NYS	Syntex Corp.	SYN	44.00	46.88	2.88	6.53	18	1.50	3.20	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.38	0.00	0.00	46	0.00	0.00	1.88	0.81
NYS	Thiokol Inc.	TKC	13.88	13.25	– 0.63	– 4.50	11	0.30	2.26	121.00	12.38
NYS	Upjohn Co.	UPJ	37.88	36.75	– 1.13	– 2.97	18	1.00	2.72	42.13	27.00
NYS	Warner-Lambert	WLA	108.88	106.63	– 2.25	– 2.07	18	2.56	2.40	115.88	70.75
NYS	Zenith Labs (L)	ZEN	0.63	0.44	– 0.19	– 30.00	d	0.00	0.00	2.75	0.34
Other retailer transactions											
NYS	Albertson's	ABS	58.75	57.50	– 1.25	– 2.13	21	0.80	1.39	60.25	32.75
NYS	American Stores	ASC	56.25	54.50	– 1.75	– 3.11	24	1.00	1.83	72.50	51.50
NYS	Giant Food	GFS.A	28.88	28.88	0.00	0.00	16	0.50	1.73	36.25	21.00
NYS	K-Mart	KM	34.63	35.00	0.38	1.08	9	1.64	4.69	44.88	33.50
NYS	Kroger	KR	16.88	14.75	– 2.13	– 12.59	d	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	50.38	48.50	– 1.88	– 3.72	15	1.30	2.68	53.63	34.38
OTC	Fred Meyer	MEYR	19.50	17.63	– 1.88	– 9.62	13	0.00	0.00	23.00	14.38
NYS	Penney, JC	JCP	64.63	65.63	1.00	1.55	11	2.24	3.41	68.75	50.38
NYS	Smith's Food & Drug	SFD	21.88	22.00	0.13	0.57	20	0.20	0.91	25.00	20.50
NYS	Wal-Mart	WMT	43.00	41.25	– 1.75	– 4.07	25	0.22	0.53	44.00	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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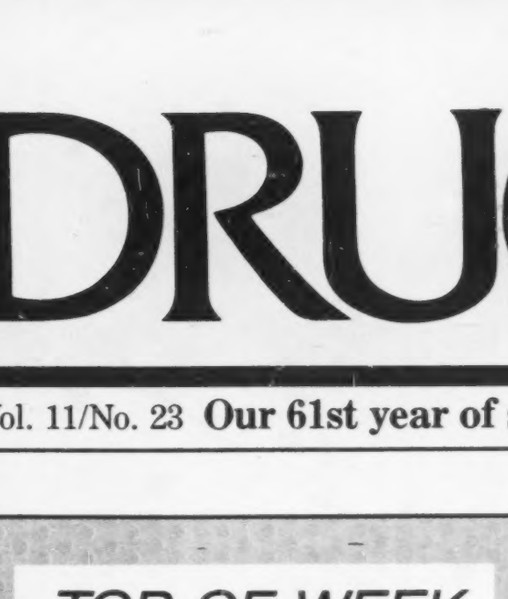
Vol. 11/No. 23 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Dec. 11, 1989

TOP OF WEEK FEATURES



Consumer Brands Preference Study
Customers' favorites in 51 categories, with buying rationales. **Pages 7–45.**

Nielsen Review of Drug Store Retailing
A look at the economic environment, sales and inventory trends, space allocation and merchandising. **Pages 3, 51–60.**

LATE NEWS

- WILLOWDALE, Ont. — Shoppers Drug Mart has signed a contract to install IBM 4680 pos systems in its stores, beginning with a 10-store test in 1991, followed by a 200-unit rollout in 1992.
- WOODBRIDGE, N.J. — Jack Futterman, chairman and ceo of Supermarkets General Corp. since October, has assumed the president's job as well with James Dougherty due to leave.
- TROY, Mich. — K mart Corp. is consolidating its two wholesale club divisions, PACE Membership Warehouse Inc. and Makro Inc., after purchasing from S.H.V. Holdings the 49 percent of Makro stock it did not already own, completing its buyout of PACE.
- HARRISON, N.Y. — Melville Corp., parent of CVS, Freddy's and other retailers, reported a 10.6-percent sales increase in November, to $674.7 million, and a 12.1-percent gain for the year to date, to $6.2 billion.

Peoples is *not* for sale: Bloom

Denies published reports questioning chain's future under Imasco

By Susan Ball

WILLOWDALE, Ontario — Imasco Ltd. has "no interest in selling" Peoples Drug Stores, its U.S. drug store retail division, David R. Bloom, chairman and ceo of Imasco Drug Retailing Group, told *Drug Store News*.

Bloom contends that a story by a Reuters reporter who interviewed Purdy Crawford, Imasco's chairman, president and ceo, on Nov. 24 took some of Crawford's comments about Peoples out of context. The article, which subsequently appeared in a Canadian newspaper, *The Financial Post*, was headlined, "Imasco may unload Peoples," and said Imasco "may sell the rest of its U.S. units unless profit improves in 1990." (Peoples sold about 325 stores this year in the Southeast and Midwest and is focusing on its 500-plus stores in its strongest markets in Eastern and Mid-Atlantic states.) The Reuters story was picked up by some U.S. newspapers.

"There's no truth to it. We are pleased with Peoples' progress and expect it to finish the fiscal year on plan," Bloom said. He added that Imasco expects further improvement in performance of the Alexandria, Va.-based chain in 1990 and predicted that Peoples' profitability will eventually "equal or be better than its principal competitors."

He said that he and David Eisenberg, recently promoted to president

See **Bloom,** *page 93*

Perry Drug's turf is the inner city

'A real niche opportunity'

By James Frederick

DETROIT — Parts of this city still look about as bad as it gets in urban America: bleak landscapes of post-industrial decay where people wage a daily struggle against crime, poverty, drugs and despair. Even in some inner-city neighborhoods whose once-gracious homes still recall better times, the money and vitality that bled away after the riots here more than 20 years ago have never really returned.

Downtown stands the Renaissance Center, much heralded when it was built as a beacon of urban development that would help lead downtown Detroit out of the economic wilderness. Now, the center resembles nothing so much as a fortress, sealed off from its surroundings and contributing little to whatev-

See **Perry,** *page 91*

Chain presence in Detroit
(No. of stores)

Perry	12
Farmer Jack	6
Arbor	3
Revco	3
Concord-Wrigley	3
K mart	2

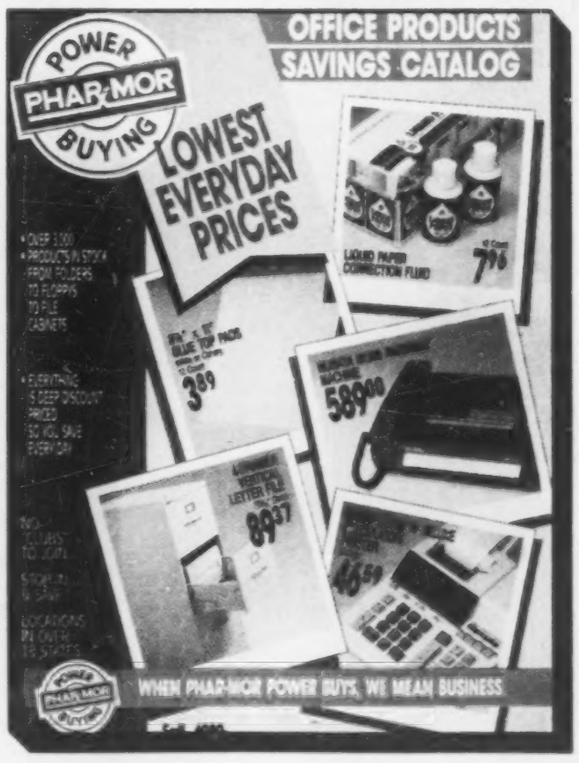
Source: *Drug Store News* research

Phar-Mor making big play with home office supplies

YOUNGSTOWN, Ohio — Phar-Mor is striding into the home-office supply business in seven-league boots.

Thirty-eight of its stores, in 12 states, boast new, huge assortments of home and office supplies in addition to their traditional stationery departments. Phar-Mor's Mechanicsburg (Harrisburg), Pa. store, for example, which opened in March, features a valley of home-office products, predominantly multipacks and case goods, in an assortment that ranges from pens and pencils to filing systems and Rolodexes.

Seven of these stores carry an even wider selection, including large items like file cabinets, furniture and office machines. These home-office departments have cash register stations and trained sales consultants on hand to demonstrate machines and help customers with product information and orders. (The locations are Philadelphia; West Palm Beach, Fla.; Austin, Texas; Pittsburgh; Englewood, Colo.; Boardman, Ohio; and Chicago.)



Left: Phar-Mor's fall 1989 office products catalog boasts more than 3,000 products in stock and deep-discount prices.

Phar-Mor is rolling out an over 100-page catalog for the more than 3,000 home and office products it stocks — "from folders to floppies to file cabinets," as the catalog says. Available in stores and widely distributed to businesses, hospitals and other potential customers, the catalogs invite shoppers to place orders at their local store or call an 800 customer-order number connecting them with telemarketing reps at Phar-Mor headquarters.

Catalog orders are delivered to the store for the customer to pick up or for orders exceeding $500, Phar-Mor will deliver, at a charge of 5 percent of the total order.

Phar-Mor is committed to handling a core merchandise selection, and its buying and distribution is centralized, said Carol Robinson, vp-advertising and public relations.

"We're targeting home offices and small businesses of up to 25 employees, as well as some Fortune 500 compa-

See **Phar-Mor,** *page 93*

Paul "Ed" Matteucci

Buying group's new president eyes services

NEW YORK — Closer member-vendor relations and new emphasis on services other than product purchasing must be stressed by Affiliated/Associated Drug Stores if it is to remain resilient and competitive, said incoming president Paul "Ed" Matteucci.

"Everything is open for dis-

See **Matteucci,** *page 93*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists.*
For information, dial (212) 371-9400, x 380.

NEWS IN BRIEF

Arbor adds three stores in Michigan

TROY, Mich. - Arbor recently added three stores to its Michigan roster, in keeping with its plan of opening 12 to 15 stores during fiscal year 1990, which began Aug. 1.

The company unveiled a 10,220-square-foot store in the Village Mall at 1125 Highway M-52 at Old U.S. 12 in Chelsea. Another store, measuring 12,500 square feet, opened at 36800 Garfield Rd. at Metropolitan Parkway in Mt. Clemens.

In addition, Arbor acquired the assets of Mey Pharmacy in Saginaw, including its operations and prescription files, and opened its 91st store at 2525 State St. Larry Mey, former owner of Mey Pharmacy, joined the Saginaw store as an Arbor pharmacist.

McKesson to build 5th D.C. in St. Louis

ST. LOUIS — McKesson Corp. is preparing to build a larger distribution facility here to help expand its market coverage.

Construction on the new 234,000-square-foot site is expected to begin early next year, with completion due by early 1991. It will replace an 86,000-square-foot site which McKesson has used since 1966.

Company-wide, McKesson currently operates 47 distribution centers that add up to more than 4 million square feet of warehouse space. The new St. Louis facility follows McKesson's building and opening of four new DCs this year.

Wal-Mart, mall get yes vote

IOWA CITY, Iowa—Wal-Mart recently came up against a resident's revolt here in November when local merchants protested to block the opening of the retail giant's proposed 87,000-square-foot store in a 28-acre downtown shopping center.

Actually, said Brenda Lockhart, Wal-Mart spokesperson, the residents were opposed to the building of the shopping center, of which Wal-Mart will be an anchor store.

Residents feared the discount store would take away from the community's small-town ambiance, and they took their city council to court to vote on a referendum banning the proposed site.

Despite the opposition, the ballot passed with a "yes" vote.

Ex-Reliable's Dalton to head MedNet

HARRISBURG, Pa. — David Dalton, formerly senior vp-pharmacy operations for Reliable Drugs, is the new president and ceo of the MedNet Group, an administrator of prescription drug programs and durable medical equipment with a national provider network for insurance carriers and self-insured companies.

"My experience in the business side of pharmacy will help continue to establish MedNet as a prescription drug administrator that can truly contain costs, but not on the back of the pharmacist," said Dalton, who was vp-professional relations at Rite Aid before joining Reliable as one of the new chain's original management group.

Drug Castle opens Ohio store

SPRINGFIELD, Ohio — Drug Castle Franchises opened a new 27,000-square-foot store in Middletown, Ohio.

The deep discount drug store, owned and operated by Southwestern Ohio Drug Distributors, offers brand name H&BAs, packaged foods and household chemicals in its product mix. Its computerized pharmacy departments boast savings of up to 50 percent off prescription prices charged by other drug stores.

Drug Castle franchise stores presently operate in Ohio in the towns of Dayton, Springfield, Akron, Lima and Warren; Tampa and St. Petersburg, Fla.; and Fort Wayne, Ind.

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'50s theme big success at Snyder's buying show

MINNETONKA, Minn.—Marilyn Monroe and Elvis Presley posters, hula hoops and classic Thunderbird, Packard and Nash Rambler cars lent authenticity to the "Back to the '50s" theme of Snyder Drug Stores' recent semi-annual buying show.

Rather than a vendor show, Snyder's fall and spring events exhibit seasonal merchandise preselected by the chain's buying department.

The show gave independent retailers a chance to explore business opportunities that have succeeded in Snyder's corporate stores, including point-of-sale systems, pre-employment testing, parcel shipping centers and employee training packages. A live demonstration of Snyder's new POS-scanning system (Tomax software and Casio computers), which the chain began rolling out to corporate units in October, drew particular interest.

The two-day show drew owners and employees from nearly all of Snyder's 200 independent retailer group to Minneapolis' new convention center to view and place orders for spring and summer merchandise. It was also a place for "mixing and enjoying," as Snyder vp Bill Vidmar put it. Snyder's laid on a dance band that played '50s tunes and such pre-cholesterol-angst fare as hamburgers, french fries, malts and sundaes.

In addition, "The show provides a gathering place to discuss things that are important to our independent retailers," Vidmar said.

"That's a big reason why we come to the buying show," said Matt Osterhaus, co-owner of Osterhaus Snyder Pharmacy in Maquoketa, Iowa. "Obviously, seeing the merchandise and ordering are important, but meeting with other independent retailers gives us an opportunity to compare notes and see what works elsewhere." Osterhaus, who will be getting a new Wal-Mart near his store soon, found an Illinois drug store operator at the show who had already confronted that situation. "Talking to him helped us put together a strategy on how to face our new competition," Osterhaus said.

In addition, an Independent Retailer Advisory Group meets with company officers during the event. "We bounce things off the council and they tell us things we should be looking at," said Vidmar.

Staff from Osterhaus Snyder Pharmacy, Maquoketa, Iowa, preview spring and summer merchandise at Snyder's independent retailer buying show. From left: Matt Osterhaus, Fran Waknitz, Marilyn Osterhaus, Dorothy Sanger, Ann Osterhaus, Myrna Klunder and Bob Osterhaus.

Snyder's vps switch jobs

MINNETONKA, Minn. — Two vps of Snyder Drug Stores have switched job responsibilities.

Phil Perkins, formerly vp-wholesale operations, is now vp-marketing, and Bill Vidmar, who held that post, is now vp-wholesale operations.

Some department realignments accompanied the switch. Perkins will continue to be responsible for Snyder's 359,000-square-foot warehouse. Vidmar, a registered pharmacist, will also oversee the chain's retail pharmacy operations.

"These moves are part of Snyder's ongoing effort to maximize our management strength and to broaden the base of experience of those involved," said Don Beeler, president and ceo.

In addition, John Stubstad was named vp-information services, a new position at Snyder's, earlier this year.

Cutbacks shadow health care expo

ATLANTA — Record numbers of dealers and manufacturers flooded the Georgia World Congress Center for the 10th annual National Home Health Care Exposition in mid-November, but they conducted their business against a backdrop of continuing cutbacks in third-party reimbursements and growing competition.

Despite the industry's growth to an estimated $12 billion or more in annual sales, home health care dealers and suppliers are faced with ever-tighter restrictions on Medicare and other third-party reimbursements for homebound patients who depend on their products. Thus, the three-day event at the Georgia World Congress Center was subdued by caution from buyers.

"It's growing, but it's a troubled industry and a tough business to survive in," noted Denise Novoselski, publisher of Homecare, the industry digest. "It's not the kind of product line you can just stick in a chain drug store and forget. There are problems with inconsistent Medicare pay requirements, denials of claims and a proliferation of companies who have flooded into the market in the last few years, including hospitals. And the dealers are problems themselves, because many of them don't generate the proper claims."

Despite the industry's growth to an estimated $12 billion or more in annual sales, home health care dealers & suppliers are faced with ever-tighter restrictions on third-party reimbursements.

"Ten years ago, everyone could get into this business and it was a no-brainer, but that's not the case anymore," added Jim LaPoint, director of corporate pharmacy services for White & White Home Health Care and Pharmacy, a seven-store chain based in Grand Rapids, Mich. "It's a tough business to be in."

Cost-cutting by government and private insurers is squeezing profits and forcing dealers to adopt strict controls over what durable medical equipment they buy and how much of it they keep in stock. Many dealers at the show expressed exasperation about shifting and confusing reimbursement policies, shrinking profit margins and the growing need to manage their home health care business.

"Medicare is changing so fast we can't keep up," said Joe Callahan of White & White. "You have to be flexible. We used to be primarily a rental business, then converted to more of a selling business (in the mid-1980s), and now we're going back to rentals because of the reimbursement situation."

Nevertheless, he said,

Continued on page 93